

13 November 1951

OGC HAS REVIEWED.

MEMORANDUM FOR THE RECORD

SUBJECT: Assignment of Claims

1. Payments under Agency contracts are assignable in accordance with the Assignment of Claims Act of 1940 (31 U.S.C. §203, 41 U.S.C. § 15), unless prohibited in the contract. It is the general practice to provide, in classified contracts, that payments may not be assigned except with the written consent beforehand of the Contracting Officer.

2. In order to aid defense contractors with their financing, it was provided in Public Law 30 (82d Congress) that contracts of certain named defense agencies, and other agencies as designated by the President, may provide that payments to assignees will not be subject to reduction or set-off for any liability of the contractor to the United States arising independently of the contract.

3. This Agency has not asked to be so designated by the President. For reasons of security, the Agency does not wish to encourage assignments more than is absolutely necessary. So far as is known, the Agency's procurement program has not been hindered by lack of this authority to provide against set-off. If at any time there is need for such authority, this office should be so advised.

4. The handling of notices of assignment should be standardized so as to provide for adequate review and approval in the Procurement Division and prompt notification to the Fiscal or Finance Division. Without such notification payments may be erroneously made to the contractor with possible serious results.

5. Under present procedure the Fiscal Division does not know of an assignment until (and if) a copy of the received notice of assignment is received from the contractor attached to his first invoice. If the bank or financing institution is required to send the Agency for retention two copies of this notice of assignment, one of these copies can be appropriately received by the Contracting Officer and forwarded to Fiscal for its information.

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Distribution:

Orig - Subj

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1 - Chief of Procurement - *initials*

2 - Signer / *initials*

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